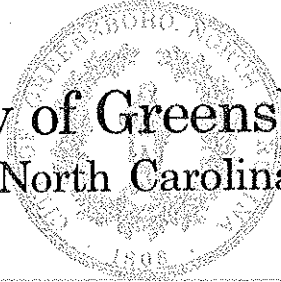


2002-2003 audit file

City of Greensboro  
North Carolina



**TO:** Michael Cramer, Transportation  
**FROM:** Fred Newnam & Len Lucas, Internal Audit  
**RE:** Reply to Internal Audit Review of Red Light Ticket Collection Procedures  
**DATE:** August 19, 2003

We have reviewed your reply of June 6, 2003 to our audit findings and recommendations of May 2, 2003. We understand that your department gave careful consideration to our findings and we wish to be similarly thorough in our review of your replies.

Our recommendations 1 and 3 were concerned with requiring the contractor invoice the city to accurately reflect revenue collections for the period of the invoice.

- Your reply to these recommendations indicates that since April of 2003 the vendor had provided billings sufficiently accurately reflecting revenue collected, and that your expectations were that this trend would continue. Your reply was at June 6, 2003, a very short period under the new procedure, since we are replying in August 2003, we would appreciate your reappraisal of these recommendations based on further experience with the contractor under the new on-line system.
- We request you indicate in writing whether the contractor's efforts in this area are still acceptable and producing the intended results, that is accurate reflection of collections for the periods of contractor invoice.

Our recommendation 2 concerned the Transportation Department taking over review and approval of the PEEK Inc. invoices.

- Your reply that after further discussion with the Collection Department, the recommendation would make reconciling invoices more difficult and that you, therefore, had determined that it would not be implemented. The reply is acceptable, so long as the two departments involved are both satisfied.

Recommendation 4 concerned itself with changing the date of assessment of penalties for Red Light tickets from 21 to 30 days.

- Your reply indicated that you were considering changing this at the time the three-year contract was completed. We find this reply acceptable.

Our recommendations 5 and 6 concerned improvements in collections of issued fines and penalties.

- Your reply indicates that at least parts of our recommendations have been carried out and that the change has improved the collection rate of the system before the citation is processed through the collection agency. The reply, also, indicates a continued evaluation of the system by transportation.
- We request your written assessment of the system after more than a quarter of actual experience with the system in place.

Our recommendation 7 concerned itself with outstanding and overdue payments of citations by City of Greensboro employees.

- Our understanding of your reply is that you explain the slowness of the system and promise that Transportation will continue to investigate and improve on the process. We recommend special effort and attention being given in this area to require City of Greensboro employees to pay these particular obligations promptly, in order that we not open ourselves to possible censure from outside parties.
- Please provide in writing the process improvements made to date.

We thank the Department of Transportation for its prompt replies to the recommendations in our joint efforts to improve the *SafeLight* Program. If you have questions regarding the audit and/or our review of replies please contact Fred Newnam at 373-2230. Thank You.

CC: Ed Kitchen, City Manager  
Jim Westmoreland, Director of Transportation  
Mitchell Johnson, Assistant City Manager  
Ben Brown, Assistant City Manager for Economic Development  
Bob Morgan, Assistant City Manager  
Rick Lusk, Director of Finance  
Linda Miles, City Attorney  
Michael Cramer, Transportation  
John Rascoe, Tax Collector  
Fred Newnam, Internal Audit  
Len Lucas, Internal Audit

# City of Greensboro North Carolina



Department of Transportation

TO: Fred Newnam & Len Lucas, Internal Audit  
FROM: Michael Cramer, Transportation  
RE: Internal Audit Review of Red Light Ticket Collection Procedures  
DATE: June 6, 2003

On May 2, 2003 the City of Greensboro Internal Audit Division presented its finding regarding an audit performed on the Red Light Camera Program (*SafeLight*). The audit was undertaken at the request of the City Tax Collector and the Transportation Department's Business Manager with the stated purpose to determine whether the City of Greensboro was receiving its proportional share of revenue as described in its contract with PEEK Inc., and whether the contractor is performing its financial obligations as prescribed by the contract. The Internal Audit Division findings included the following:

- Revenue received exceeded revenue invoice by the contractor.
- Contractor has had difficulty providing precise reporting and analysis of revenue
- Collection Agency return rate has been extremely low.

In an effort to help the Collection Division and the Department of Transportation, Internal Audit recommended seven ways to improve the system. Below is a listing of the recommendation and the actions that have taken place to improve the *SafeLight* Program.

Recommendation # 1& 3 - The contractor should be required to invoice the city in such a way as to accurately reflect the revenue collections for the period of the invoice.

Response: Over the course of the 2 ½ years the *SafeLight* Program has been in operation the Collections Division and the Department of Transportation have worked closely with the contractor to fine tune the reporting of revenue. These efforts have helped to produce a new on-line system that is used for citation processing, including reporting of revenue. The first invoice to be reviewed and paid since the new system was installed was for the citations issues and collected during April of 2003. Per review by the Collections Division it would appear that the new system is accurately reporting the revenue collected. We expect this trend to continue.

Recommendation # 2 - The Transportation Department take over the review and approval of the PEEK Inc. invoices, reconciling the invoice to actual revenues for the period of the invoice, since they are the responsible department and to eliminate double reviews.

Response: Following discussion between the Collections Division, the Department of Transportation and the Contractor we have decided that

this recommendation would actually make reconciling the invoices more difficult since Transportation would be required to gather the revenue received information from the Collections Division before reviewing. Therefore we will maintain our current process.

Recommendation #4 -

The City should consider changing the date of assessment of penalties for Red Light tickets from 21 days to 30 days, which will reduce penalties assessed, and allow a larger percentage of fines to be paid before penalty assessment. Thirty days is, also, the time given for penalty and interest for most commercial obligations.

Response:

The requirement for the 21 days payment policy was established by the State General Assembly when they adopted the enabling legislation. Subsequently this policy was written into the contract with Peek Traffic. Transportation has discussed the potential for changing this aspect of the contract with the contractor on several occasions. At this stage of our 3 year contract we have decided to pursue the change after contract completion.

Recommendation #5&6 -

As a means of improving collections of issued fines and penalties, we also recommend that the city avail itself of the provisions of N.C.G.S. 105A-1 through 105A-16. This legislation allows municipalities to have the N.C. Internal Revenue Service withhold outstanding amounts of \$50 or more. Legal provisions may have to be made in the city ordinance to obtain correct social security information from the contractor, and possibly to allow the contractor to use this law. The City Tax Collector has been discussing with the contractor changes the contractor might be able to make to improve collection efficiency. As a means of obtaining better contractor performance in collections, we recommend that Transportation require the contractor engage a different, more effective collection agency and re-examine their collection policies and procedures to bring about better results.

Response:

Transportation and the Contractor have been fine tuning the collection procedures for the past year. Improvements have been made in the language on the citation and penalty notices, the envelopes, and in the options for payment. These changes have improved the collection rate of the system before the citation is processed through the collection agency. During the last four months, and at the insistence of the Department of Transportation, the contractor has changed the collection agency that is used. To date, improvements have been made and Transportation will continue to evaluate the process.

Recommendation #7 -

The city should revisit and reissue its instructions to city employees requiring payment of the Red Light ticket program fines and penalties the employees are responsible for when using city vehicles. Accounts receivable detail provided by the contractor included a number of citations outstanding and belonging to the Purchasing Division, City of Greensboro.

Response:

There are several reasons for the slow payment of city issued citations. First, all citation including those issued to city vehicles are sent to the registered owner of the vehicle. In the case of the city the registered owner of the vehicle is the Purchasing Division. Thus all city vehicle

citations are sent to the Purchasing Division where it is determined which department is responsible for the vehicle. The citation is then sent to the department for investigation. When the driver of the vehicle is located the employee responsible pays the citation. Although the total number of city citations is low, the processing system tends to increase the number of citation adjustment that is required before the citation is paid. Transportation will continue to investigate and improve on this process.

The Department of Transportation would like to thank the Internal Audit Division for the help in evaluating the *SafeLight* Program. We will continue to improve the system as we have for the past 2 ½ years. If you have additional questions regarding the program and the audit please contact Michael Cramer at 373-2568. Thank you.

Cc: Ed Kitchen, City Manager  
Jim Westmoreland, Director of Transportation  
Mitchell Johnson, Assistant City Manager  
Ben Brown, Assistant City Manager for Economic Development  
Bob Morgan, Assistant City Manager  
Rick Lusk, Director of Finance  
Linda Miles, City Attorney  
Michael Cramer, Transportation  
John Rascoe, Tax Collector  
Fred Newnam, Internal Audit  
Len Lucas, Internal Audit